

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

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E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: REACTIONS TO GOI ENERGY AUSTERITY MEASURES

REF: ROME 12977

1. BEGIN SUMMARY: INITIAL SHOCK EFFECT OF NOVEMBER 22 GOI
PACKET OF MEASURES TO CONSTRICT PETROLEUM AND ELECTRICITY CON-
SUMPTION HAS WORN OFF AND GOVERNMENT AUTHORITIES AT NATIONAL,
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PROVINCIAL AND COMMUNAL LEVELS NOW WORKING ENERGETICALLY TO

COORDINATE ACTIONS AND PREPARE FOR IMPLEMENTATION OF MEASURES, MOST OF WHICH TAKE EFFECT DECEMBER 1. EFFECT OF THE MEASURES ON THE ECONOMY AS A WHOLE AS WELL AS ON PARTICULAR SECTORS NOT YET CLEAR, ALTHOUGH THOSE GROUPS LIKELY TO SUFFER THE MOST HAVE WASTED NO TIME IN MAKING A CASE FOR SPECIAL CONSIDERATION AND EXEMPTION FROM PARTICULAR MEASURES. GOVERNMENT HAS SO FAR REMAINED SURPRISINGLY FIRM AND UNYIELDING TO PLEASE INDIVIDUAL GROUPS, TAKING POSITION THAT CONCESSION OF EXCEPTIONS WILL ONLY WEAKEN EFFECT OF AND PROLONG NEED FOR THE AUSTERITY MEASURES WHICH ALL AGREE SHOULD BE TERMINATED AS SOON AS POSSIBLE. OPPOSITION POLITICAL PARTIES AND UNIONS HAVE WASTED NO TIME IN CRITICIZING THE GOVERNMENT'S MEASURES. END SUMMARY.

2. CATEGORIES MOST DIRECTLY AFFECTED BY THE DECISIONS ARE THE FOLLOWING: TOURIST SECTOR (HOTELS, WINTER SPORT RESORTS, RURAL RESTAURANTS FREQUENTED ON SUNDAY OUTINGS) AS RESULT OF SUNDAY BAN ON DRIVING; ENTERTAINMENT INDUSTRY (CINEMAS, THEATERS, NIGHT CLUBS) AS WELL AS RESTAURANTS AND BARS DUE TO EARLY CLOSING; SPORTING SECTOR WHOSE FOOTBALL (SOCCER) MATCHES HELD ON SUNDAY (SUNDAY FOOTBALL IS A MULTIMILLION DOLLAR INDUSTRY IN ITALY); AUTOMOBILE AND RELATED INDUSTRIES WHERE FALL-OFF IN SALES WAS IMMEDIATE AND PLANS ALREADY UNDERWAY FOR PRODUCTION CUTBACKS. (FIAT EXPECTS 30 PERCENT DECLINE IN DOMESTIC AND FOREIGN SALES OVER NEXT SEVERAL MONTHS). PETROCHEMICAL SECTOR ALREADY AFFECTED WITH REPORTED PRODUCTION CUTBACKS AND LAYOFF OF 1200 EMPLOYEES DECEMBER 12 BY RUMIANCA, ONE OF ITALY'S MAJOR PRODUCERS OF PLASTICS AND OTHER OIL-BASED CHEMICALS, DUE TO LACK OF VIRGIN NAPHTHA SUPPLIES. IN ADDITION, A NUMBER OF OTHER GROUPS HAVE TAKEN THE OCCASION OF THE AUSTERITY MEASURES TO PRESS INDIVIDUAL CLAIMS, IN PARTICULAR GAS STATION OWNERS WHO UNSUCCESSFULLY SOUGHT TO RECEIVE A PORTION OF THE LATEST GASOLINE PRICE INCREASE WHICH INSTEAD WENT WHOLLY TO PETROLEUM COMPANIES. GOVERNMENT, ALTHOUGH ACKNOWLEDGING LIKELY INJURY TO ABOVE SECTORS, AND IN PARTICULAR TOURISM AND ENTERTAINMENT, HAS RESISTED GRANTING EXCEPTIONS, HOLDING OUT PROSPECT THAT MEASURES TEMPORARY AND IN NO CASE WILL CARRY INTO NEXT SUMMER.

3. GOVERNMENT SPOKESMEN, INCLUDING PRIME MINISTER RUMOR, HAVE TAKEN TO THE MEDIA TO JUSTIFY SEVERITY OF THE MEASURES AND CALL FOR SOLIDARITY. PRESS, HOWEVER, PLACING MUCH OF BLAME ON LIMITED OFFICIAL USE

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PREVIOUS GOVERNMENTS WHICH FOR SAKE OF ECONOMIC GROWTH ENCOURAGED PRIVATE CONSUMPTION TO THE EXTREME. WHILE SUCH A CRITICISM DOES HOLD SOME WATER, PRESENT CRISIS, NEVERTHELESS, IS WORLDWIDE AND NOT OF ITALIAN MAKING. MINISTERS OF INDUSTRY (DE MITA) AND BUDGET (GIOLITTI) IN RECENT PRESS COMMENTARIES HAVE ATTEMPTED TO REASSURE PUBLIC THAT MEASURES TEMPORARY AND THAT IN NO CASE WILL THEY GO INTO SUMMER, ITALY'S PEAK TOURIST SEASON. GIOLITTI NOTED THAT THE LESS EXCEPTIONS THAT ARE GRANTED AT

OUTSET, THE SOONER THE RESTRICTIONS CAN BE LIFTED.

4. SERIOUS BOTTLENECKS EXPECTED TO ARISE IN PUBLIC TRANSPORT SECTOR WIDELY ACKNOWLEDGED TO BE INADEQUATE TO SUBSTITUTE SUNDAY PRIVATE VEHICULAR TRAFFIC. MANY COMMUNES ATTEMPTING TO FULLY MOBILIZE BUSES AND TAXIS ON SUNDAYS. NATIONAL RAILWAY SYSTEM, HOWEVER, HAS ALREADY ANNOUNCED THAT IT UNABLE TO PUT ADDITIONAL PASSENGER TRAINS IN SERVICE ON SUNDAYS AND HOLIDAYS, AND IN FACT, WILL BE ELIMINATING 77 WEEKEND AND HOLIDAY TRAINS COMMENCING DECEMBER 1.

5. OPPOSITION POLITICAL PARTIES AND LABOR UNIONS HAVE BEEN QUICK TO REACT TO THE MEASURES. COMMUNISTS PUT ASIDE THEIR "SOFT OPPOSITION" TO THE RUMOR GOVERNMENT, BRANDING AUSTERITY MEASURES AS UNFAIR PENALTY UPON WORKING CLASS FOR WHOM SUNDAY DRIVE IS ONLY RESPITE FROM WEEK'S LABORS. COMMUNIST EXPLOITATION OF ISSUE GREATLY DISCOMFORTS SOCIALISTS WHO HAVE RESPONDED DEFENSIVELY AND CONTRADICTIONALLY. PARTY ORGAN AVANTI HAS CHARGED COMMUNISTS WITH SPAWNING PUBLIC CONFUSION AS TO GRAVITY OF EN
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